to contain weapons, namely 42 Walther Pistols, 1 Smith & Wesson Revolver, 20 Tackling Knives and 7 Laser Guided sights. The goods have been seized for misdeclaration for taking further action under the provisions of the Customs Act, 1962.

(c) No other case of such nature has been detected at any other place including Mumbai Airport during the last 2 years.

Non-recovery of advances made to business houses

691. SHRI E. BALANANDAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that some of the PSU Banks have informed the RBI that lack of sufficient capital was affecting their expansion schemes;

(b) if so, whether shortage of capital is due to non-performance or non-recovery of huge advances made to big business houses; and

(c) if so, what steps RBI is taking to recover those money?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL): (a) Banks are required to achieve capital to risk weighted assets ratio of 9 per cent from the year ending 31st March, 2000. In view of this banks would not be able to meet the growing requirements of credit and other business, unless capital is increased to maintain the prescribed ratio of 9 per cent.

(b) Shortage of capital funds could be due to accumulated losses on the past and on account of insufficient earnings. The profitability is affected on account of high cost of funds, low interest income, high level of NPAs, high operating cost low productivity of employees etc. Unless banks earn adequately they cannot build up sufficient reserves, which can be one source of capital.

(c) It is for the banks and not for RBI to recover the money. On the advice of the RBI/Government of India the banks have taken the following steps not only to check the incidence of fresh NPAs but also to attempt the recovery of existing NPAs of PSBs.

— Banks have laid down documents on loan policy, recovery policy prescribing the manner of recovery of dues, norms for permitted sacrifices/waiver etc.

— Reduction of NPAs, through compromise/write offs through negotiated settlements to ensure maximum recovery at minimum expenses on the basis of a banks have been permitted to set up independent Settlement Advisory Committees headed by retired Judge of the High Court to scruitinise and recommend compromise proposals.

— Banks have set up Settlement Advisory Committees for NPAs in small Scale Sector including Trading and Personal Segment and Agricultural Sector.

— Recovery Cells have been set up at Head Offices. Targets are fixed for various levels and recovery performance is monitored closely at all levels.

— Board of Directors review top 300 NPAs of banks with special reference to the system prevailing in the banks to fix staff accountability.

— The banks are advised individually to bring specific improvements in credit management, recovery of NPAs, improvement of profitability etc., and the performance should be monitored periodically by the 'banks' top management as also the Board.

Recommendations of Malhotra Committee on reforms in insurance sector

692. SHRI RAMDAS AGARWAL: Will the Minister of FINANCE be pleased to state:

(a) whether Government have examined all the recommendation* of the Malhotra Committee on Reforms in the insurance sector particularly those rolating to making of provision for State level Co-operatives to set up co-operative societies for transacting life insurance business in these States at lower than normal capital requirement for them; and